

Message Text

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ACTION EB-07

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TO SECSTATE WASHDC 8922

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E.O. 11652: N/A

TAGS: ENRG, BEXP, EINV, SY

SUBJECT: DEP PETROLEUM MINISTER HIGHLY DISAPPOINTED WITH
LATEST DEVELOPMENT IN NEGOTIATIONS WITH AMOCO

1. SUMMARY: SYRIAN DEP PET MIN NABULSI AND MIN ECON IMADI
BELIEVE SARG AND AMOCO ARE IN BASIC AGREEMENT ON TERMS OF
EXPLORATION AGREEMENT AFTER 16 MONTHS OF NEGOTIATIONS. RECENT
AMOCO "BOMBSHELL", NABULSI SAYS, MAY OVERTURN WHOLE DEAL AS
NABULSI REPORTS AMOCO HAS JUST CABLED THAT THERE IS NEW
IRS TAXATION PROBLEM RE TREATMENT OF U.S. OIL COMPANIES'
OVERSEAS VENTURES. NAVULSI SAYS IT SOUNDS LIKE AMOCO MAY
NOT BE ABLE TO CONCLUDE AGREEMENT AFTER ALL, WHICH IS BADLY
NEEDED BY SYRIA AND DESIRED AT HIGHEST LEVELS IN SARG.
EMBASSY RECOMMENDS DEPT CALL AMOCO TO DETERMINE FACTS AND
ALSO THAT DEP SEC ROBINSON CALL AMOCO PRES. ADAMS TO
UNDERLINE OUR STRONG INTEREST AND ENCOURAGE TOP-LEVEL
AMOCO MANAGEMENT TO BE AS FORTHCOMING AS POSSIBLE.
REPLY TO THIS CABLE REQUESTED FROM DEPT. END SUMMARY.

2. DURING JULY 31 FAREWELL CALL ON DEP PETROLEUM NADER
NABULSI (U. MISSOURI BS CA 1959), NABULSI EXPRESSED TO
ECON OFF HIS GREAT DISAPPOINTMENT WITH "DRAMATIC
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TELEX" RECEIVED O/A 7/29 FROM AMOCO (AMOCO INTERNATIONAL

OIL CO., CHICAGO, LELAND C. ADAMS, PRES.) RE ONGOING AMOCO NEGOTIATIONS WITH NABULSI AND SARG MINISTRY OF PETROLEUM FOR EXPLORATION AGREEMENT. AS DEPT. AWARE, AMOCO REPS COFFIELD AND COLLOMB, LONDON-BASED, HAVE BEEN NEGOTIATING ON AND OFF WITH SYRIANS FOR OVER 16 MONTHS AND MOST RECENT EFFORT APPARENTLY RESULTED IN AGREEMENT IN PRINCIPLE. MIN ECON IMADI SO INFORMED ECONOFF ON 7/25, ADDING THAT SYRIANS HAD REQUESTED FEW FINAL "CLARIFICATIONS" FROM AMOCO AND BALL RESTED IN AMOCO'S COURT.

3. NABULSI, TOO, SAID BASIC AGREEMENT IN PRINCIPLE HAS BEEN REACHED AND HE HAS MADE REQUIRED FULL WRITTEN REPORT TO DEP PM FOR ECONOMIC AFFAIRS MOHAMMAD HAYDAR FOR DISCUSSION IN BAATH PARTY CENTRAL COMMITTEE (OF WHICH NABULSI, A BAATH PARTY MEMBER SINCE 1950'S, SAYS HE IS A MEMBER). HOWEVER, AMOCO'S LATEST TELEX WAS A "BOMBSHELL", NABULSI SAID AND HE CLAIMS HE HAS NOT REVEALED ITS CONTENTS TO HAYDAR OR ANYONE ELSE SO AS NOT TO DESTROY INTENSIVE EFFORT AND AGREEMENT ACHIEVED SO FAR. HE SAYS HE HANGS ON TO SOME HOPE THAT AMOCO POSITION CAN BE CHANGED.

4. NABULSI REPORTS AMOCO'S PROBLEM RELATES TO U.S. TAX POSITION AND ONGOING CHANGES IN ADMINISTRATION/ CONGRESSIONAL/IRS LEGAL POSITIONS VIS-A-VIS TAX TREATMENT FOR U.S. OIL COMPANIES AND THEIR EXPLORATION (PRODUCTION SHARING) CONTRACTS ABROAD. NABULSI SAID AMOCO'S TELEX STARTED WITH: "SORRY TO INFORM YOU...", AND NABULSI IS VERY PESSIMISTIC WHETHER AMOCO WILL RETURN TO SYRIA TO COMPLETE NEGOTIATIONS. HE SAYS AMOCO NOTED IRS PROBLEM, CHANGING LAWS, AMOCO'S NEED TO CONSULT RE THIS PROBLEM WITH ITS PARTNERS IN CONTEMPLATED SYRIAN VENTURE AND THAT AMOCO WOULD BE SENDING "PRESS CLIPPINGS" TO NABULSI DEMONSTRATING (PROVING) BIND IN WHICH AMOCO NOW FINDS ITSELF. NABULSI CONCLUDED THAT HE AND AMOCO HAD WORKED OUT WORDING IN DRAFT AGREEMENT THAT AMOCO SAID WOULD SATISFY LEGAL REQUIREMENTS IN U.S. RE TAXES (HE STRESSED AMOCO LAWYERS HAD WRITTEN THIS PORTION OF AGREEMENT). THUS NABULSI'S GREAT DISAPPOINTMENT TO LEARN FROM AMOCO LIMITED OFFICIAL USE

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THAT PROBLEM STILL EXISTS, AND IN NABULSI'S PESSIMISTIC STATE HE FEELS AMOCO MAY NOT BE ABLE TO RETURN IN ORDER TO CONCLUDE AGREEMENT WHICH SYRIA NEEDS AND WANTS BADLY (GIVEN CURRENT PRESSURE ON SYRIAN ECONOMY OWING TO LEBANESE SITUATION).

5. AS DEPT. WELL AWARE, SINCE RE-ESTABLISHMENT OF US/SYRIAN RELATIONS IN JUNE 1974, SARG AT HIGHEST LEVELS

(PRES. ASAD, HAYDAR, IMADI, ETC.) HAVE IN EFFECT BEEN BEGGING US TO HELP THEM GET U.S.OIL EXPLORATION COMPANIES WORKING IN SYRIA. ALL OF THESE HIGH-LEVEL OFFICIALS HAVE EMPHASIZED THIS STRONG DESIRE TO ALL VISITING AMERICAN VIP'S (SECRETARIES BUTZ AND SIMON, USDOC U-S REED AND DEP ASST SEC HOSTLER, AND NUMEROUS CODELS). SYRIANS HAVE ALLUDED TO POSSIBLE USG POLITICAL EFFORT AGAINST SUCH U.S. OIL COMPANY EFFORTS IN SYRIA AS PROBABLE BLOCKING FACTOR (DESPITE OUR REPEATED ARGUMENTATION TO CONTRARY). IF AMOCO MAKES SUDDEN (IN SYRIAN EYES) EXIT NOW AFTER 16 MONTHS OF EFFORT, HIGHEST LEVELS OF SARG COULD VERY WELL HAVE THEIR BELIEF STRENGTHENED THAT USG HAS BLOCKED THIS DEAL. THERE CERTAINLY ARE THOSE IN GOVERNMENT AND PARTY WHO WILL SAY: SEE, WE TOLD YOU SO; USG IS NOT REALLY WITH US AND WHY ARE WE DEALING WITH AMERICANS ANYWAY; IT WAS A WRONG POLICY CHOICE IN 1974 AND STILL IS (THUS UNDERCUTTING ASAD/HAYDAR/IMADI/NABULSI EFFORTS TO GET U.S. COMPANY IN).

6. ACTION REQUESTED: WE BELIEVE THIS ISSUE IS IMPORTANT AND COULD HAVE SERIOUS REPERCUSSIONS. THEREFORE, EMBASSY STRONGLY RECOMMENDS:

A. INITIAL CALL BY DEP ASST SEC BOSWORTH OR KATZ TO AMOCO TO DETERMINE FACTS OF CASE FROM AMOCO'S POINT OF VIEW. WE KNOW NEGOTIATIONS HAVE BEEN DIFFICULT, BUT PUTTING STORIES OF AMOCO'S REPS AND NABULSI'S TOGETHER, WE DO BELIEVE THERE IS CONSIDERABLE MEASURE OF AGREEMENT. WHAT IS THE PROBLEM NOW?

B. BASED ON ABOVE CALL, EMBASSY RECOMMENDS DEP SEC ROBINSON CALL AMOCO PRES. ADAMS AND INFORM HIM LIMITED OFFICIAL USE

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OF DEPARTMENT'S CONSIDERABLE INTEREST IN THIS MATTER, BECAUSE OF POSITIVE POLITICAL AND ECONOMIC/COMMERCIAL BELL-WEATHER EFFECT AMOCO'S CONTRACT WITH SYRIA WILL HAVE AND DEPARTMENT/EMBASSY'S WILLINGNESS TO ASSIST AMOCO IN ANY WAY POSSIBLE (E.G., EMBASSY APPROACH TO DEP PM HAYDAR IF THERE IS SOME STICKING POINT IN WAY OF SUCCESSFUL CONCLUSION OF NEGOTIATIONS).

C. REQUEST DEPT REACTION TO ABOVE, REPORT ON CURRENT STATUS AS SEEN FROM AMOCO'S POINT OF VIEW, AND INSTRUCTIONS ON WHAT WE MAY DO TO FOLLOW UP HERE AT THIS POINT.
MURPHY

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